97-84029-10

U.S. Congress. House.

Refund to wool growers - American Egyptian cotton...

Washington

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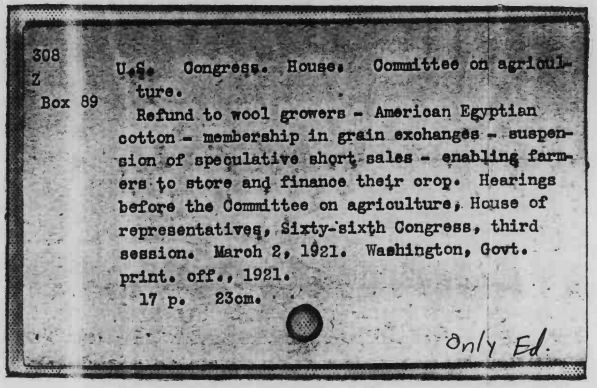
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U.S. Congress. House. Committee on agriculture.
Refund to wool growers - American Egyptian cotton - membership in grain exchanges - suspension of speculative short sales - enabling farmers to store and finance their crop. Hearings before the Committee on agriculture, House of representatives, Sixty-sixth Congress, third session. March 2, 1921. Washington, Govt. print. off., 1921.
17 p. 23cm.

Only Ed.

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## TECHNICAL MICROFORM DATA

FILM SIZE: 35 mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 2-27-97 INITIALS: MS, KLB

TRACKING # : MSH 21990

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

REFUND TO WOOL GROWERS—AMERICAN EGYPTIAN COTTON—MEMBERSHIP IN GRAIN EXCHANGES—SUSPENSION OF SPECULATIVE SHORT SALES—ENABLING FARMERS TO STORE AND FINANCE THEIR CROP

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# HEARINGS

BEFORE THE

# COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

SIXTY-SIXTH CONGRESS
THIRD SESSION

---

MARCH 2, 1921

WASHINGTON
GOVERNMENT PRINTING OFFICE
36501 1921

COMMITTEE ON AGRICULTURE.

HOUSE OF REPRESENTATIVES.

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# REFUND TO WOOL GROWERS, ETC.

COMMITTEE ON AGRICULTURE,
HOUSE OF REPRESENTATIVES,
*Wednesday, March 2, 1921.*

REFUND TO WOOL GROWERS.

The committee met at 10 o'clock a. m., Hon. Gilbert N. Haugen (chairman), presiding.

The CHAIRMAN. We will hear Mr. Hudspeth this morning.

## STATEMENT OF HON. C. B. HUDSPETH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS.

Mr. HUDSPETH. I am sorry, gentlemen, that Mr. Young of Texas can not be here because he is familiar with this matter, almost as much as I am.

Ordinarily, I do not believe in bringing every little thing to Congress, but this is a matter which I think ought to be investigated, and I am going to state to you briefly just what it is. Louis Penwell, the chairman of the wool division handling the purchasing and storage of wool, made a contract with the Central Wool Storage Co., of San Angelo, through their representative, and vice president Mr. Sam H. Hill, who came here to Washington, to take over the wool that was concentrated there, amounting to something like 5,000,000 pounds—probably much more—and he agreed that he would allow them the water freight rate on this wool. He reaffirmed that in my presence and in the presence of former Gov. Stuart, of Virginia, and several other gentlemen down here in the Shoreham Hotel last April. Now, they appointed a committee of Boston wool buyers——

Mr. HULINGS (interposing). Who did?

Mr. HUDSPETH. Mr. Penwell—to go down there and value this wool. Understand, gentlemen, that the Central Wool Storage Co. is composed of a group of ranchmen, mostly, men who own their own sheep and have been in the business for years; men like Mr. Robert Massie, its president, who came over here as a boy from Scotland and herded sheep out there on the ranges when he was 14 years old. He knows how to place a valuation on wool and how to fix the shrinkage. They sent down there three Boston wool buyers, accompanied by a Mr. Stokes, of Lampasas, Tex., who has been buying wool for some firm in Boston for many years. The Central Wool Storage Co., through its committee, had already placed the shrinkage upon the wool; but this committee that was sent down there estimated the shrinkage at a great deal more than the committee of the Central Storage Co.; and let me show you, gentlemen, as a practical sheepman myself, just how they did this.

Two brothers by the name of Foster, who run sheep on the same range and owned a flock of sheep jointly, running them on the same range, divided these sheep just before shearing. The wool was shorn in the same pens and taken to San Angelo, and this committee gave one of those boys 8 cents a pound more for his wool than they did the other one. Now, that is a matter that was sworn to down here before the Contract Adjustment Board when these gentlemen brought the case there. That is simply one of many instances of that kind, and I ask you, is that fair, is it practical, is it right?

Mr. McLAUGHLIN of Michigan. What reason or excuse did they give for doing that?

Mr. HUDSPETH. None. They just said that was our estimate of shrinkage. I could stack up the testimony here before you but you have not the time. These men, who are reputable men whose veracity no one down in that country would question, came here and swore to that, and that is simply one of many instances of the glaring inaccuracies of these men.

Mr. HULINGS. Have you a bill pending.

Mr. HUDSPETH. I have a resolution for you gentlemen to investigate the matter.

Mr. HULINGS. How is the Government interested in it.

Mr. HUDSPETH. The Government took over the wool. These gentlemen submitted to their prices because they were patriotic Americans. It was during the war. They agreed to give them, General, the price that had been obtained before the war; that is, July 31, 1917.

Now, it is an historical fact in that country that 12-months wool always brings more and should always bring more than 6-months wool, and I presume that any of you gentlemen who know about this business know that, and yet this committee, in nearly every instance, paid from 6 to 8 cents more for 6-months wool than they did for 12-months wool.

They made complaint to Congress and their Congressman took it up and in December, 1918, they sent another committee down there; but this same Mr. Stokes accompanied them. They took a few samples and said, "Well, our rating is not more than 2 or 3 per cent different from the other committee, so we will just verify what the other committee did." This same Mr. Stokes was along consulting with them and told them just what the other committee had done. I did not come to Congress until March, 1919, and when I went down and saw the Wool Division of the Bureau of Markets they said to me, "All right; we will shrink the whole clip." Their estimate on the shrinkage of this San Angelo clip was 8 and 10 per cent more than the committee of the Central Storage Co., but they could not get the entire clip because it had been distributed around. They knew that was impossible, so we said, "All right; we will shrink what we can get" and we sent 20,000 pounds of this wool and had it shrunk, and the shrinkage was just 10 per cent less than this committee had put upon it, just as we told them it would be. That ought to have been a fair test.

Now, gentlemen, they have defrauded those people out of $250,000, and I say that their acts ought to be investigated. Mr. Penwell himself stated that he was due these people $16,000. You understand they took the San Angelo wool and he agreed here in Washington with Mr. Hill that they would allow them the water rate, but they shipped it by rail because, as they said, they wanted to get it to the mills as quickly as possible. It was during the war and, of course, our people acquiesced in anything at that time and they let them take it by rail, and Mr. Penwell said in my presence, "We are due those people $16,000." He said that in the presence of Mr. Hill down here in the Shoreham Hotel, and I am almost positive Gov. Stuart was there. There were several gentlemen present. But when he came to testify before the Contract Adjustment Board, he said, "Well, I agreed to anything there with Mr. Hill. I did not want to have any row." He would not have had any row with Mr. Hill, because he is a very reasonable man. He made the statement voluntarily. I did not ask him to make it; but he stated that there was due them $16,000 as the difference between the rate by rail and the rate by water, which they agreed should apply.



You were not here, Mr. McLaughlin (of Nebraska) and Mr. Jacoway, when I stated that this committee they sent down there was composed of Boston wool buyers, who were to put a value upon this wool and the shrinkage on this wool at San Angelo. They had been buying these wools for many years and they ought to have known the shrinkage, and yet they placed the shrinkage 10 or 15 per cent higher than it had ever been before, and I was just relating one, of many instances, where two brothers running a flock of sheep on the same range divided those sheep by cutting them out through a chute sending one sheep one way and one another, just before shearing. They sheared them and the wool was taken to San Angelo and put in the Central Storage Co., and this committee gave one of those boys 8 cents a pound more than they gave the other. I say that can not be justified by any common sense; no human being can justify that, and they do not attempt to do it.

Mr. HULINGS. You say the Government did not get the advantage of this and that these Boston wool buyers did?

Mr. HUDSPETH. Well, we want to find out who got it.

Mr. HULINGS. And you want to find out who got it?

Mr. HUDSPETH. Yes, sir; these people have been defrauded out of it. Now, just to show you the unfairness of this committee at San Angelo: I am a wool producer myself, producing about 200,000 pounds of wool a year. My wool went over to Capt. Schreiner, a big wool man at Kerrville——

Mr. JACOWAY (interposing). Was this during the war?

Mr. HUDSPETH. Yes, sir; this was under war regulations. My wool and a great deal of the wool of my neighbors goes to Kerrville, while the wool of some of my neighbors goes to San Angelo, the distance being about the same. I have no complaint about my wool because I got the same I had always gotten.

Mr. McLAUGHLIN of Michigan. In what capacity was this man Penwell acting?

Mr. HUDSPETH. He was the Government wool commissioner appointed by the War Industries Board—a Government official.

Mr. HUTCHINSON. Working for a dollar a year?

Mr. HUDSPETH. I think so. I do not know about that, sir. I do not know whether he was a dollar-a-year man or not. But I say that those things are such glaring inaccuracies that they ought to be investigated.

Mr. HULINGS. It would not be of very much significance to those wool growers down there to find out who robbed them, unless they could get some of it back, would it?

Mr. HUDSPETH. How is that, General?

Mr. HULINGS. Their interest would be not so much to know who robbed them as to get some of the property back?

Mr. HUDSPETH. They are entitled to it back; yes, sir.

Mr. HULINGS. And if the Government did not get it——

Mr. HUDSPETH (interposing). If the Government did not get it, then I think this committee ought to find out who did get it.

Mr. JACOWAY. How long would it take to make this investigation, Mr. Hudspeth?

Mr. HUDSPETH. I do not know, Mr. Jacoway. Those gentlemen came up here and spent $10,000 presenting this case to the Contract Adjustment Board and that board said, "Well, you signed a waiver of your rights when you agreed to this contract between you and the Government." Certainly, they agreed to it and any other citizen of the United States at that time would have agreed to turn over their wool to the Government. They were patriotic people and raised no question about it; and, as I say, the people who went to Capt. Schreiner over at Kerrville with their wool got the same price they had always received and the same shrinkage, and we had no complaint. There is bound to be something wrong because these are practically the same wools in that country, and some of it went to Kerrville and some of it went to San Angelo, just as they happened to be doing business with different people in those towns.

Mr. PURNELL. How many individuals are affected by this?

Mr. HUDSPETH. I would judge four or five hundred.

Mr. PURNELL. Aggregating how much, did you say?

Mr. HUDSPETH. $247,000 is what they figured before the Contract Adjustment Board.

Mr. MCLAUGHLIN of Michigan. You spoke of two committees going down there, the first one composed of Boston wool buyers——

Mr. HUDSPETH (interposing). And the second was a committee of Boston wool buyers also.

Mr. MCLAUGHLIN of Michigan. Was it the same committee?

Mr. HUDSPETH. No; they changed the personnel, except this Mr. Stokes, who had been with the first committee, went along with the second committee in an advisory capacity.

Mr. MCLAUGHLIN of Michigan. Did he hold any official position?

Mr. HUDSPETH. No; he had been buying wool for many years, and my recollection is that he went with the first committee as one of the committee of appraisal. Then when they appointed the second committee Mr. Stokes was there, and, of course, he informed the second committee just what shrinkage and values the first committee had placed, and they did the same thing.

Mr. MCLAUGHLIN of Michigan. Was he engaged by the Government for that particular purpose, or was he generally employed by the Government in the wool business?

Mr. HUDSPETH. No; as I recall now, he was just one of the appraisal committee for the first committee. The second committee said they asked him to go along on account of his experience in the valuation and shrinkage of wool. Now, these men who had gone down there had been buying wool from these same people for many years, and, of course, it occurs to me that it was to their advantage to place the shrinkage greater than it was at that time, in order in the future to be able to buy that wool cheaper than the price the Government was giving at that time. If the Government price of July 31, 1917, had been adhered to, Mr. Tincher, nobody would have had any complaint. That was the contract they made with the people; but, as I say, we sent 20,000 pounds and had it shrunk. We said to them, "All right; we will shrink it. We will scour it." It shrunk just 10 per cent less than the shrinkage these men had put upon it, as I recall now.



Of course, I do not know about your procedure. These people now have not any money to come up here. Practically all of the wool men are broke on account of the tremendous drop in prices. They came up here and employed a lawyer to present their case and paid their expenses, and then went to Boston to take testimony up there and spent $10,000. I do not know whether it would be possible for you to send a committee of two or three of you gentlemen to San Angelo. If you could you could get the facts inside of a week from the men right there, who grow this wool, and you would find that nobody down there would question their veracity or integrity.

It just appeals to me that somebody has made a big rake-off in this matter. There were certain facts developed at the hearing we had last April before the Bureau of Markets. I would like for you to keep in mind this distinction. The San Angelo Central Storage Co. were licensed dealers but they did not buy a pound of wool. There were men all over the country who did buy wool. The Government made them disgorge where they bought wool from a citizen and sold it for more than they paid him. We do not come under that head. This man Brown at Boston said he had $500,000 of that kind of money but he was not going to turn it over unless he had to. I think he ought to be made to turn that back to the producers. We did secure $250,000 or $260,000 which was to go back to the little men in Virginia and Kentucky and around over the country where these Government dealers bought the wool from them direct.

Mr. TINCHER. That is the way the little wool dealers in my district got a little money back.

Mr. HUDSPETH. Yes; Barney Baruch stated that this Mr. Brown told him he had $500,000 of these people's money but that he would not turn it back unless he had to and he had a good lawyer employed.

Mr. JACOWAY. Would not this matter come under the anti-profiteering act?

Mr. HUDSPETH. I do not know whether it would or not.

Mr. HULINGS. That has been declared unconstitutional.

Mr. HUDSPETH. Yes; that would be $500,000 more that the people could get if we could make Mr. Brown turn back this money.

Mr. MCLAUGHLIN of Michigan. What connection has the Bureau of Markets with this matter?

Mr. HUDSPETH. The Bureau of Markets had an investigation relative to the dealers who bought wool direct from the producer. They claimed they had jurisdiction and they took steps accordingly last April. I was before them and also Gov. Stuart and Congressman Moore, of Virginia, and quite a number of Congressmen. Mr. Baruch, chairman of the War Industries Board, was there and said he would put up the money to employ a lawyer to make them dis-

gorge. They had collected up to that time $250,000 which was to be paid back to these little men. I do not know how much they have now.

Mr. McLAUGHLIN of Michigan. Has the Bureau of Markets ever had anything to do with this particular transaction you speak of?

Mr. HUDSPETH. It first came before them and they said they did not have jurisdiction in my case, so we had to go before the contract adjustment board, and we lost on a technicality.

Mr. McLAUGHLIN of Michigan. They did not go into the merits of it?

Mr. HUDSPETH. Yes; they tried it out. I have the testimony taken before them, which I will submit to you.

Mr. McLAUGHLIN of Michigan. You spoke of losing out on a technicality.

Mr. TINCHER. It was exactly the same proposition that arose with reference to the men handling grain. They simply said, "Here is a contract with the Government. Sign this contract." Then the Government handled their wool in such a way as to break them, and then they come back and say, "Here is the contract you signed, which precludes you from having any recourse," and they stand on that contract, which, as Mr. Hudspeth says, any man in this country would have signed during the war.

Mr. HUDSPETH. Yes; our people simply signed the contract.

Mr. McLAUGHLIN of Michigan. Just like a registrant?

Mr. HUDSPETH. Yes.

Mr. McKINLEY. It was more like a man buying sugar during the war.

Mr. HUDSPETH. Yes; certainly we signed it.

Mr. JACOWAY. You simply signed on the dotted line?

Mr. HUDSPETH. Yes; and they held that because we did we had forfeited any rights we had, and therefore I say it was a technicality.

Mr. TINCHER. And these men are absolutely broke?

Mr. HUDSPETH. Yes, sir. Four or five hundred of these wool producers at San Angelo, who are as good citizens as there are on earth, many of them are broke to-day; and let me tell you what this Central Storage Co. did. Under the Government's sanction they advanced thousands of dollars more for this wool than the producers got and they had to lose it, and it has weakened them financially.

Mr. McLAUGHLIN of Michigan. If the facts as you have outlined them can be established and if it should be determined that the shrinkage fixed was too great and that $247,000 too little was paid, whom would you get that money from and whom would it go to?

Mr. HUDSPETH. From whoever got the benefit of it, and it would go back to the producers, Mr. McLaughlin.

Mr. McLAUGHLIN of Michigan. Would it go back to this one company you spoke of?

Mr. HUDSPETH. No; it would go back to the men who stored their wool there. You understand that this Central Storage Co. handles wool on commission. They do not buy any wool at all.

Mr. JACOWAY. Mr. Hudspeth, I asked you awhile ago if this came under the antiprofiteering law. If it does, the Supreme Court having declared that law unconstitutional, if you ascertain as a fact that these people were robbed of this money——

Mr. McLAUGHLIN of Michigan (interposing). It would look to me like a fraud practiced on these people.



Mr. JACOWAY. How would you apply a remedy, which is what Mr. McLaughlin is trying to lead up to?

Mr. HUDSPETH. If the Government got the money, then the Government ought to pay it back to them. If these Boston wool buyers got it then they ought to pay it back to them.

Mr. JACOWAY. If that were so, then you could establish a cause of action against them?

Mr. HUDSPETH. Yes. They were Government officials and if they got the benefit of this money, as this man Brown said he had gotten $500,000 in the other case that he was not going to pay back unless he had to, then they should pay it back.

Mr. JACOWAY. Do you think if an investigation were made that that could be mathematically ascertained?

Mr. HUDSPETH. I do not think there is any question about it.

Mr. JACOWAY. You think the books and records and data are at hand?

Mr. HUDSPETH. Yes. I have the testimony taken before the Contract Adjustment Board, but I did not bring it up here because it would take you gentlemen a week to read it.

Mr. TINCHER. Suppose these men did not violate any law, but got the money by reason of the activities of a Government agent who was functioning under a law passed by Congress, and that is really what you will find to be the situation——

Mr. JACOWAY. Mr. McLaughlin answered that question by saying it would be fraud.

Mr. McLAUGHLIN of Michigan. This board that fixed this shrinkage may have acted improperly, unwisely, or perhaps dishonestly, but somebody else bought the wool.

Mr. HUDSPETH. The Government got the wool.

Mr. HUTCHINSON. You mean the wool was bought on Government account?

Mr. HUDSPETH. Yes; the Government took over the wool at a certain price.

Mr. VOIGT. It was not bought by these woolgrowers in Boston in their private capacity?

Mr. HUDSPETH. No; not that we know of.

Mr. HUTCHINSON. These Boston buyers were in the employ of the Government?

Mr. HUDSPETH. Yes.

Mr. HULINGS. Then how did this fellow get $500,000 that he will not give back?

Mr. HUDSPETH. He was a licensed dealer, and he and his agents went, we will say, to Mr. Tincher and bought his wool at 30 cents and turned it in to the Government at 40 cents and made 10 cents on the deal. That is how they got the money, but my people do not come under that.

Mr. HULINGS. The same game was not played on them?

Mr. HUDSPETH. No; their wool went direct to the Government. We claim that the Government benefited through the action of these men they sent down there who made a false valuation on the shrinkage to the extent of $247,000.

Mr. HULINGS. Then it is Government money you are after?

Mr. HUDSPETH. If the Government has got it we want it, or we want it from whoever has got it.

Mr. JACOWAY. There is just one question involved in your case, and that is they have charged you with too much shrinkage?

Mr. HUDSPETH. Yes, sir. Mr. Jacoway, if you have ever been engaged in the sheep business, or know about the length of staple, you know that a 12-months' clip the world over brings 4 or 5 cents a pound more than the 6-months' clip on account of the length of the staple.

Mr. JACOWAY. It is just like cotton?

Mr. HUDSPETH. Yes; but in this instance down there at San Angelo they gave them from 6 to 8 cents a pound more for the 6-months' wool than they did for the 12-months' wool. That will not stand the test of common sense for one moment. That has been sworn to here, and they do not deny it.

Mr. VOIGT. Would not the proper course be for you to introduce a bill providing for the relief of these people?

Mr. HUDSPETH. We would like first to ascertain the facts through some committee, Mr. Voigt; and I introduced a resolution empowering this committee to summon witnesses, call for papers, and make an investigation.

Mr. TINCHER. Has that been referred to this committee?

Mr. L. G. HAUGEN (clerk). House resolution 650 was referred to the Committee on Rules.

Mr. HUDSPETH. I do not recall the number of the resolution, but it is a resolution empowering this committee to make an investigation of the Central Wool Storage Co.

Mr. PURNELL. That would go first to the Committee on Rules?

Mr. HUDSPETH. It would?

Mr. TINCHER. Yes; they would not let us report out a resolution authorizing ourselves to investigate, because we would pass it.

Mr. HUDSPETH. I was under the impression they would, and I was satisfied you gentlemen would investigate it; and that is the reason I wanted it to come before this committee.

Mr. JACOWAY. Mr. Tincher, why could not the committee investigate it?

Mr. TINCHER. If it was a resolution authorizing this committee to make an investigation, naturally it would not be referred to this committee, but would go to the Committee on Rules.

Mr. RIDDICK. This committee on its own initiative could start hearings on the matter.

Mr. JACOWAY. We could start hearings on it and in that way make the investigation.

Mr. PURNELL. Why would not that be the proper course for you to follow?

Mr. HUDSPETH. I suspect that would be the proper course. You gentlemen are practical farmers and ranchmen and understand the farm business and the livestock business and I wanted a committee of that kind to make the investigation.

Mr. PURNELL. If you introduce a resolution to reimburse these people then this committee would have the power to go into it exhaustively and in that way get the facts.

Mr. HUDSPETH. If the committee feels that way about it I will introduce such a bill.

Mr. TINCHER. Do not introduce a bill appropriating money, but introduce a bill authorizing an appropriation and then it will come to this committee.



Mr. HUDSPETH. Yes. If I introduce a bill authorizing an appropriation would it come to this committee?

Mr. TINCHER. If you are careful about the wording of it so that it pertains to this wool situation, then it will come to this committee because this committee has always had jurisdiction of that subject.

Mr. PURNELL. The resolution would have to set out the matter to be investigated and that would give this committee jurisdiction provided it did not carry an appropriation.

Mr. HUDSPETH. My resolution does set out the matters to be investigated.

Mr. TINCHER. But you simply ask for an investigation.

Mr. HUDSPETH. By this committee.

Mr. TINCHER. What you want to ask for is an authorization of an appropriation to go to these men and that will come to this committee direct instead of going to the Committee on Rules or the Committee on Appropriations.

Mr. HUDSPETH. All right; I will do that.

Mr. PURNELL. Would you not have to incorporate in that resolution the names of the specific individuals to whom this money is going and would it be possible to get that list?

Mr. HUDSPETH. This money, Mr. Purnell, would be distributed back to the producers through the Central Storage Co. I presume they would be the distributing agency.

The CHAIRMAN. Thank you, Mr. Hudspeth.

(Thereupon the committee proceeded to the consideration of other business.)

## AMERICAN EGYPTIAN COTTON.

The CHAIRMAN. I would like to have authority to report two bills now pending before the committee. One is a bill introduced by Mr. Osborne proposing to amend the United States cotton-futures act by inserting therein a new section for American Egyptian cotton only, to be known as section 5a. The bill as introduced provides for "cotton that is less than one and seven-sixteenths of an inch in length of staple." The department suggests that it be made one and nine-sixteenths. Has the committee any suggestion as to the bill?

Mr. TINCHER. I move that the chairman be authorized to report the bill amended to one and nine-sixteenths.

(The motion was agreed to.)

## MEMBERSHIP ON GRAIN EXCHANGES.

The CHAIRMAN. I have another bill, introduced by Mr. Steenerson, to regulate grain exchanges. This bill provides that every exchange shall be open to membership, with equal rights and privileges with all other members, to any person, firm, company, or corporation desiring to trade therein, and that all members shall be required to comply with reasonable rules and regulations.

Mr. MCKINLEY. I move that the bill be reported.

(The motion was agreed to.)

SUSPENSION OF SPECULATIVE SHORT SALES.

Mr. LEE. Mr. Chairman, I want to call the committee's attention to House joint resolution 478, introduced by me on March 1, and House joint resolution 479, introduced by Mr. Tincher on the same date. These are joint resolutions requesting the suspension of speculative short sales. I think unless something is done we are going to have half of the banks in the South fail, and I do not know how many in the West, and this will happen at an early date unless something is done to check or steady the market and to prevent the very great declines that are going on every day. No possible harm can come from this, and I think it will do a great deal of good. I would like to have the committee read my resolution—it is very short—discuss it freely, and if we can agree on it I would like to have it reported this morning. I move that the committee favorably report these resolutions.

The CHAIRMAN. As they are the same, do you want them both reported?

Mr. LEE. It makes no difference to me. You can report Mr. Tincher's resolution or mine.

Mr. TINCHER. I think it would be well to report both of them.

(The motion was agreed to.)

PROPOSED LAW TO ENABLE FARMERS TO STORE AND FINANCE THEIR CROPS AND TO EXERCISE THEIR OWN JUDGMENT AS TO TIME OF SALE.

**STATEMENT OF HON. CARL W. RIDDICK, MEMBER OF CONGRESS FROM MONTANA.**

Mr. RIDDICK. Members of the Committee on Agriculture, I have to-day introduced a bill in the House of Representatives amending and broadening the provisions of the warehouse act, through which I hope it may be possible for individual farmers of America to store and finance their crops, and exercise their own judgment as to time of sale. I hope for this measure that it will stabilize and regulate prices to a reasonable degree, by permitting producers to hold and market their crops in their own time. I do not hope for consideration of this measure with legislative action in mind during the closing days of this session, but I ask for thoughtful consideration of this plan by you and by the producers of the country. When Congress is called in special session, I shall reintroduce the bill, either as it is or amended to better accomplish the purpose sought.

The problem that most vitally concerns the American farmer to-day is how to market his produce so as to receive a price commensurate with its value, based upon what the consumer is willing to pay for it.

He can not expect the Government to give him favors or advantages at the expense of others, nor in fact to give him any aid whatever along lines not economically sound.

He does have the right to ask the Government to provide law and regulations under which he can hold and finance his products and market his crop when and where he pleases and enjoy all the advantages of transportation, credit, storage, and marketing facilities enjoyed by other lines of business.



It is most important to correctly diagnose the marketing troubles of which the farmer complains, in order to arrive at sound means to improve his condition, else we do farmers a twofold injustice. First, we provide inefficient aid, and second, by creating belief that aid is being provided we discourage efforts in other directions that might prove beneficial.

A fundamental injustice in the present practice of marketing grain is that collectively the farmers of America dump upon the market, during a period of three months, what is consumed by 110,000,000 of people at home and an equal number abroad, during a 12 months' period.

Under this system each farmer depresses the price for himself and for his fellow farmers. In addition to depressing the price to a low level during a period when the bulk of the crop is marketed, there are other incidental evils that further mitigate against the farmer's interest. The congestion of transportation facilities during a short period every year demands extra equipment and necessitates the hauling of empties, thus adding, in the final analysis to the farmer's transportation cost of marketing his grain

It is apparent that some one must finance and store and carry the surplus grain from thrashing time until it is demanded upon the table of the consumer or for export.

Under the system that has been evolved for the financing, storing, and carrying of this grain, a large group of middlemen have found it profitable to borrow money at the banks, purchase the grain of the farmer, place it in storage, and release it for consumption or export as needed.

The producer pays for the service which the middlemen perform. These middlemen are closely organized and operate under self-imposed rules and regulations. So profitable and so advantageous are memberships in their organizations that the memberships cost as much as $1,000, and are eagerly sought for. Whether these middlemen, with the advantage of being closely organized, depress the price level arbitrarily and unnaturally at the time the producers have to sell and in like manner increase the price when the consumer must have bread, is a debated question. The history of the grain exchanges of the country is filled with instances where members have sought to corner the market and influence prices, both up and down for personal gain. While it is probably true that this practice is becoming less and less common and is regarded with disfavor by the grain trade itself, as well as by the farmer and general public, nevertheless, it would seem to be in the interest of both the producer and the consumer of the country if the Government would provide means whereby the farmers can carry their own grain from harvest time until needed by the consumers and sell it where and when they desire.

It is evident from a study of business experience that the producer can not always sell his products above the cost of production. In the final analysis his products are worth what he can get a buyer to pay for them.

Government price-fixing is economically unsound. In practice in this and in other countries it has always worked an injustice, and proven unsatisfactory. If the price is fixed too low the producer is requested to give up a portion of his profit to which he is justly entitled, as was the case with the wheat producers of America during

the period of the late war. If the price is fixed too high, the public must pay taxes to provide an excessive profit for a special and favored class. In this world of changeable seasons and fat and lean years, where grain is harvested at some point on the globe every month of the year, no man is wise enough to justly fix the exact price or relationship of values of different commodities.

But the Government can render a great service to farmers without doing injustice to other peoples by making storage facilities available for every individual farmer, and his grain in storage evidenced by negotiable receipts, properly safeguarded so that the receipt will be good collateral at every bank.

There is no better collateral than a warehouse receipt for grain in storage, fully secured as to responsibility, and its collateral determined every business day by the actual trading value on the terminal exchanges.

The measure I have introduced I have made an amendment to the United States warehouse act of August 11, 1916. I hope this may make it possible for every solvent farmer to finance through his local banks and carry his own grain from time of harvest until time of need by consumers, and to exercise his own marketing judgment as to its time of sale.

With this arrangement, if the price level of grain is too low, because of a glut on the market, farmers may organize and withhold their products and permit the natural law of supply and demand to bring prices to a natural level, based upon world offerings and consumptive demands.

The measure I have introduced provides:

First, for a clear definition of the warehouse receipt under this act, as a negotiable instrument subject to the same law as other negotiable instruments and protecting the rights of purchasers as such.

Second, that grain deposited in local warehouses may be deliverable at the local warehouse or at a warehouse at any terminal market.

Third, that the warehouseman may move grain deposited in his country warehouse to a warehouse in any terminal market for the purpose of delivery upon payment of accrued charges.

Fourth, for the protection of the holder of the certificate and of the depositor of the grain in all cases.

The United States warehouse act of August 11, 1916, provides that warehouses and warehousemen may be licensed by and be under the supervision of the United States Department of Agriculture; that each warehouseman shall give bond for the faithful performance of his obligation; and that upon the filing and acceptance of such bond the warehouse shall be designated as bonded under that act. It provides for the receipt of grains and proper examination, grading, and storage of same, and the issuance of suitable receipts, and the delivery of the product upon the surrender of the receipt, and is a law of great advantage to large dealers in grain.

The bill I have introduced makes necessary amendment, so that individual farmers at country stations may have the same marketing advantages now enjoyed by the grain trade where the use of terminal warehouse receipts is a common and approved custom.



During the control of the storage elevators of the country by the United States Grain Corporation it was found that the licensed elevator capacity of the United States was:

| | Bushels. |
|---|---|
| Country elevators | 521,000,000 |
| Mill elevators | 150,000,000 |
| Terminal elevators | 262,000,000 |
| Total | 933,000,000 |

At the highest point of grain storage at any one time during the administration of the Grain Corporation there were 480,000,000 bushels of all kinds of grains.

The provision in my bill that grain in storage may be deliverable on track in carload lots or in terminal warehouses will enable country elevators to do a warehousing business far beyond the actual capacity of their houses.

To make these country storage tickets safe for both farmer and banker, a form of insurance of them by large insurance companies can easily be developed, as is now provided for the terminal receipts of our large primary markets.

The success and extent of this sort of carrying of their own grain by individual farmers will naturally depend in large measure upon their own interests and initiative, and in the voluntary cooperation given by country elevator men and banks.

It has seemed to me, after years of personal experience in and study of grain marketing, that there is real need for a system of this kind, and that the simplicity of this plan and the many advantages offered to the producer to hold and market his own grain in his own time, and when he is satisfied that he can secure the best price his commodity will bring under sound economic practice, should be sufficient argument that this plan be given a fair trial.

(After considering further matters in executive session the committee adjourned.)

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